



## CRS Report for Congress

# Health and Safety Concerns Over U.S. Imports of Chinese Products: An Overview

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### Summary

China is the second largest source of U.S. imports, a major supplier of consumer products (such as toys), and an increasingly important supplier of various food products. Reports of unsafe seafood, pet food, toys, tires, and other products imported from China over the past year have raised concern in the United States over the health, safety, and quality of imported Chinese products. This report provides an overview of this issue and implications for U.S.-China trade relations and will be updated as events warrant. (For an overview of issues concerning U.S. food imports from China, see CRS Report RL34080, *Food and Agricultural Imports from China*, by Geoffrey S. Becker).

China is a large and growing source of U.S. imports. In 2006, U.S. imports from China totaled \$288 billion, accounting for 15.5% of total U.S. imports. Over the past year, numerous recalls and warnings have been issued by U.S. firms over various products imported from China, due to health and safety concerns. This has lead many U.S. policymakers to question the adequacy of China's regulatory environment in ensuring that its exports to the United States meet U.S. standards for health, safety, and quality; as well as the ability of U.S. government regulators, importers, and retailers to identify and take action against unsafe imports (from all countries) before they enter the U.S. market.

### Warnings, Recalls, and Detentions

The Food and Drug Administration (FDA) in March 2007 issued warnings and announced voluntary recalls on certain pet foods (or products such as rice protein concentrate and wheat gluten used to manufacture pet food and animal feed) from China believed to have caused the sickness and deaths of numerous pets in the United States. In May 2007, the FDA issued warnings on certain toothpaste products (some of which were found to be counterfeit) found to originate in China that contained poisonous chemicals. In June 2007, the FDA announced import controls on all farm-raised catfish, basa, shrimp, dace (related to carp), and eel from China after antimicrobial agents, which are not approved in the United States for use in farm-raised aquatic animals, were found. Such shipments will be detained until they are proven to be free of contaminants.

Report Documentation Page				Form Approved OMB No. 0704-0188	
Public reporting burden for the collection of information is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to Washington Headquarters Services, Directorate for Information Operations and Reports, 1215 Jefferson Davis Highway, Suite 1204, Arlington VA 22202-4302. Respondents should be aware that notwithstanding any other provision of law, no person shall be subject to a penalty for failing to comply with a collection of information if it does not display a currently valid OMB control number.					
1. REPORT DATE <b>28 AUG 2007</b>		2. REPORT TYPE		3. DATES COVERED <b>00-00-2007 to 00-00-2007</b>	
4. TITLE AND SUBTITLE <b>Health and Safety Concerns Over U.S. Imports of Chinese Products: An Overview</b>				5a. CONTRACT NUMBER	
				5b. GRANT NUMBER	
				5c. PROGRAM ELEMENT NUMBER	
6. AUTHOR(S)				5d. PROJECT NUMBER	
				5e. TASK NUMBER	
				5f. WORK UNIT NUMBER	
7. PERFORMING ORGANIZATION NAME(S) AND ADDRESS(ES) <b>Congressional Research Center, The Library of Congress, 101 Independence Ave, SE, Washington, DC, 20540-7500</b>				8. PERFORMING ORGANIZATION REPORT NUMBER	
9. SPONSORING/MONITORING AGENCY NAME(S) AND ADDRESS(ES)				10. SPONSOR/MONITOR'S ACRONYM(S)	
				11. SPONSOR/MONITOR'S REPORT NUMBER(S)	
12. DISTRIBUTION/AVAILABILITY STATEMENT <b>Approved for public release; distribution unlimited</b>					
13. SUPPLEMENTARY NOTES					
14. ABSTRACT					
15. SUBJECT TERMS					
16. SECURITY CLASSIFICATION OF:			17. LIMITATION OF ABSTRACT <b>Same as Report (SAR)</b>	18. NUMBER OF PAGES <b>6</b>	19a. NAME OF RESPONSIBLE PERSON
a. REPORT <b>unclassified</b>	b. ABSTRACT <b>unclassified</b>	c. THIS PAGE <b>unclassified</b>			

**The National Highway Traffic Safety Administration (NHTSA)** in June 2007 was informed by Foreign Tire Sales Inc., an importer of foreign tires, that it suspected that up to 450,000 tires (later reduced to 255,000 tires) made in China may have a major safety defect (i.e., missing or insufficient gum strip inside the tire). The company was ordered by the NHTSA to issue a recall. The Chinese government and the manufacturer have maintained that the tires in question meet or exceed U.S. standards.

**The Consumer Product Safety Commission (CPSC)** has issued alerts and announced voluntary recalls by U.S. companies on numerous products made in China, most of which have involved toys suspected of containing high levels of lead. Examples of CPSC alerts on toys since March 2007 include (lead related unless otherwise noted):<sup>1</sup>

- (March) 108,600 units of children's necklaces and 128,700 toy sets;
- (April) 396,000 metal key chains and 4 million children's bracelets;
- (May) 103,000 units of children's metal jewelry and 4,500 toy drums;
- (June) 1.5 million toy train units and 20,000 units of children's jewelry;
- (July) 1 million "Easy-Bake Ovens" (burn danger) and 20,000 units of children's jewelry; and
- (August) 9.3 million play sets (loose magnets), 1.2 million toy products, 250,000 cartoon character address books and journals, 66,000 spinning tops, 4,700 pails, and 7,900 children's charm bracelets.

## **U.S. Imports of Products of Concern from China**

**Table 1** lists products imported from China in 2006 that have been the subject of recent U.S. health and safety concerns, such as toys, fish, tires, animal foods, and toothpaste. It indicates that in 2006, China was a major source of imports for many of these products. For example, China was the dominant supplier of imported dolls, toys, and games; these totaled \$14.6 billion and accounted for 86% of total U.S. imports of these products. China was the largest foreign supplier of fresh, chilled, or frozen fish and other marine products at nearly \$1.7 billion, or 19.8% of total imports of this category. It was the largest foreign supplier of tires at \$1.9 billion, or 22.0% of total U.S. imports. China was the 2<sup>nd</sup> largest foreign supplier of animal food products at \$135 million, or 23.8% of total. China was the 6<sup>th</sup> largest supplier of U.S. toothpaste at \$3.3 million, or 3.5% of total. Finally, China was the 16<sup>th</sup> largest source of U.S. imports pharmaceuticals and medicines (at \$698 million) or 1.1% of total imports.<sup>2</sup>

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<sup>1</sup> Several other Chinese-made products have been recalled as well. See the CPSC website on company recalls at [<http://www.cpsc.gov/cpscpub/prerel/prerel.html>]. In addition, some retailers have announced that they have halted sales of certain Chinese products from their shelves, including Toys R Us (baby bibs) and Wal-Mart (dog treats), due to health and safety concerns.

<sup>2</sup> Imported Chinese-made pharmaceutical products have not been subject of any major federal  
(continued...)

**Table 1. U.S. Imports of Selected Products from China: 2006**

<b>Product Description</b>	<b>Imports From China (\$ millions)</b>	<b>China's Rank as a Source of Imported Product</b>	<b>Imports From China As a % of Total U.S. Imports (%)</b>
Dolls, toys, and games	14,593	1	86.0
Fish and other marine products (fresh, chilled, or frozen, excluding canned)	1,695	1	19.8
Tires	1,896	1	22.0
Animal foods	135	2	23.8
Toothpaste	3.3	6	3.5
Pharmaceuticals & medicines	698	16	1.1

**Source:** USITC DataWeb using NAIC classification, five-digit level.

## **China's Poor Regulatory System**

China is believed to have a rather weak health and safety regime for manufactured goods and agricultural products. Problems include weak consumer protection laws and poorly enforced regulations, lack of inspections and ineffective penalties for code violators, underfunded and understaffed regulatory agencies and poor interagency cooperation, the proliferation of fake goods and ingredients, the existence of numerous unlicensed producers, falsified export documents, extensive pollution,<sup>3</sup> intense competition that often induces firms to cut corners, the relative absence of consumer protection advocacy groups, failure by Chinese companies to effectively monitor the quality of their suppliers' products, restrictions on the media,<sup>4</sup> and extensive government corruption and lack of accountability, especially at the local government level.

Chinese officials contend that most Chinese-made products are safe and note that U.S. recalls for health and safety reasons have involved a number of countries (as well as U.S. products). They also argue that some of the blame for recalled products belongs to U.S. importers. They further counter that some imported U.S. products (such as soybeans, meats, and fruit) have failed to meet Chinese standards. However, they have acknowledged numerous product health and safety problems in China, as reflected in reports that have appeared in China's state-controlled media:

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<sup>2</sup> (...continued)

action to date. However, numerous press reports of the proliferation of fake and ineffective drugs in China have raised concerns over China's growing drug exports to the United States.

<sup>3</sup> For example, many fish farmers in China are believed to feed various drugs to the fish to help keep them alive in polluted waters. See "Farmed in China's Foul Waters, Imported Fish Treated with Drugs; Traditional Medicine, Banned Chemicals Both Used," *Washington Post*, July 6, 2007, p. A1.

<sup>4</sup> China's media often reports on health and safety problems, but rarely criticizes the central government for such problems.

- In June 2004, the Chinese *People's Daily* reported that fake baby formula had killed 50 to 60 infants in China.
- In June 2006, the *China Daily* reported that 11 people had died from a tainted injection used to treat gall bladders. The drug reportedly contained a toxic chemical, which some reports stated was sold to the Chinese pharmaceutical manufacturer without its knowledge, while other reports claimed that the company used the chemical to cut costs.
- In August 2006, *Xinhua News Agency* reported that a defective antibiotic drug killed seven people and sickened many others.
- In March 2007, the *People's Daily* reported that in 2006 China experienced a variety of food safety problems, such as steroid-tainted pork, parasite-infested snails, turbot (fish) that contain excessive amount of carcinogens, and ducks that were fed cancer-causing dye to make their egg yolks red.
- In May 2007, the *Xinhua News Agency* reported that former director of China's State Food and Drug Administration had been sentenced to death for taking bribes (equivalent to \$850,000) in return for approving untested and/or fake medicines; he was executed on July 10, 2007.
- In June 2007, the *China Daily* reported that a nationwide inspection of the food production industry had found that a variety of dangerous industrial raw materials had been used in the production of flour, candy, pickles, biscuits, black fungus, melon seeds, bean curd, and seafood. As a result, the government reportedly closed 180 food factories found to be producing unsafe products and/or making fake commodities. It also reported that in 2006, the government had conducted 10.4 million inspections, uncovering problems in 360,000 food businesses and had closed 152,000 unlicensed food businesses.
- In July 2007, the *Xinhua News Agency* reported that the government had conducted an extensive survey of 7,200 different products from 6,362 enterprises, with an emphasis on food, everyday commodities, and farming machinery and fertilizers. The survey found that 19.1% of products made in China for domestic consumption in first half of 2007 were substandard.
- In August 2007, the *China Daily* stated that the government had "blacklisted" and punished 429 Chinese export companies for violating quality standards.

Although China has criticized the United States for its recent actions against unsafe Chinese products,<sup>5</sup> it has pledged to improve and strengthen food and drug safety

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<sup>5</sup> On July 14, 2007, *Reuters* reported that China had suspended some frozen chicken and pork (continued...)

supervision and standards, beef up inspections, require safety certificates before some products can be sold, and to crack down on government corruption. For example:

- On May 29, 2007, the *Xinhua News Agency* reported that the Chinese government had announced that it would, by the end of 2007, complete regulations for setting up a national food recall system. It also pledged that it would ban the sale of toys that fail to pass a national compulsory safety certification.
- On July 4, 2007, the *China Daily* reported that the government had finished making amendments to all food safety standards and had established an emergency response mechanism among several ministries to deal with major problems regarding food safety.
- On August 9, 2007, *China Daily* reported that the government had announced the suspension of export licences for two Chinese toy manufacturers involved in recent high profile U.S. toy recalls. It also pledged to spend \$1 billion by 2010 to improve drug and food safety.
- On August 15, 2007, a spokesperson from the Chinese embassy in Washington, DC, reportedly said that China was prepared to require that every food shipment be inspected for quality by the government beginning on September 1, 2007, but rejected proposals made by some U.S. policymakers that would require that all Chinese toy exports to the United States obtain certification by independent safety laboratories, or that U.S. government officials inspect toy factories in China.<sup>6</sup>
- On August 20, 2007, the Chinese government announced that it had created a 19-member cabinet-level panel to oversee product quality and food safety, headed by Vice-Premier Wu Yi.

On July 18, 2007, the White House announced that President Bush had issued an executive order establishing an interagency working group on import safety to identify actions and appropriate steps that can be pursued within existing resources, to promote the safety of imported products. On August 2, 2007, the Secretary of Health and Human Services (HHS), Mike Leavitt, announced that a delegation of HHS and FDA officials had held a series of initial meetings with senior Chinese officials to advance discussions towards achieving (by December 2007) agreements on the safety of food and feed, and drugs and medical devices. In addition, China and the United States have made the health and safety of imported products a major topic under the Strategic Economic Dialogue, and both sides have pledged to boost cooperation and meet regularly on the issue.

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<sup>5</sup> (...continued)

products from the United States, citing various health concerns, and on August 21, 2007, the *South China Morning Post* reported that China had rejected a shipment of U.S. pacemakers, due to quality concerns. Some analysts contend these have been retaliatory moves by China.

<sup>6</sup> *New York Times*, "China Plans Greater Scrutiny of Food Exports," August 16, 2007.

## Economic Implications

Many Members of Congress have called for tighter scrutiny (such as increased inspections and certification requirements) of imported Chinese products, and numerous bills have recently been introduced to address health and safety concerns over imported products.<sup>7</sup> Many charge that the current U.S. health and safety regulatory regime lacks the ability to effectively identify and halt unsafe products,<sup>8</sup> and some have called for beefing up federal agencies that monitor imports. Others have called for new rules that would require U.S. companies that import from China to do more to ensure that such products are safe and effective. Another proposal would ban certain imports from China until they are proven to be safe. Still others contend the focus should be on pressing China to do more to enforce its own laws and regulations and to boost cooperation and assistance on health and safety issues. World Trade Organization rules allow countries to impose restrictions on imports for health and safety reasons as long as they are based on science, but forbid measures deemed to be discriminatory or protectionist in nature.

Concerns over the health, safety, and quality of Chinese products could have a number of important economic implications. Both the United States and China have accused each other of using health and safety concerns as an excuse to impose protectionist measures and some observers contend that this issue could lead to growing trade friction between the two sides.<sup>9</sup> International concerns over the safety of Chinese exports may diminish the attractiveness of China as a destination for foreign investment in export-oriented manufacturing, as well as for foreign firms that contract with Chinese firms to make and export products under their labels (such as toys). Efforts by China to restore international confidence in the health and safety of its exports through increased inspections, certification requirements, mandatory testing, etc., could have a significant impact on the cost of doing business in China, which could slow the pace of Chinese exports and hurt employment in the export sector. Moreover, international concerns over the safety of Chinese products could prove to be a setback to the government's efforts to develop and promote internationally recognized Chinese brands, which it views as important to the country's future economic development. Thus, it is very likely the Chinese government will take this issue very seriously. However, it is unclear how long it will take for the central government to effectively address the numerous challenges it faces (including government corruption and counterfeiting) to ensure that its exports comply with the health and safety standards of its trading partners (such as the United States) as well as to enforce its own health and safety laws and regulations for the sake of its own population.

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<sup>7</sup> See CRS Report RS22664, *U.S. Food and Agricultural Imports: Safeguards and Selected Issues*, by Geoffrey S. Becker.

<sup>8</sup> For example, the *New York Times* reported on August 5, 2007, that inspections by the CPSC of children's toy jewelry found 20% of those sampled contained dangerous levels of lead, and the *Associated Press* on August 8, 2007, reported that at least 1 million pounds of Chinese seafood covered under the June 2007 FDA import alert had entered the U.S. market without being stopped or inspected by the FDA.

<sup>9</sup> For example, China has complained about a provision in a recently-passed bill in the House (H.R. 3161), which would bar the use of funds to establish or implement any rule allowing poultry imports from China. The United States has complained over China's continued ban on imported U.S. beef products and recently imposed restrictions on U.S. chicken and pork products.